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*Office Memorandum* • UNITED STATES GOVERNMENT

TO : Acting General Counsel

DATE: 1 June 1953

FROM : 

SUBJECT: Discussion on 26 May 1953 with Chief, Budget Division, with regard to staff study prepared by him for the Comptroller with regard to improved budgetary and financial administration through the removal of fiscal year limitations in CIA funds.

1. On Tuesday, May 26, 1953 I met with Mr. Mason and his assistant, Mr. Butler, to discuss certain questions which were raised in our minds on preliminary consideration of the subject staff study.

2. The discussion was directed first to the possible existence of legal obstacles to Mr. Mason's proposal to request removal of fiscal year limitations on CIA funds. Mr. Mason referred to the language in the second sentence of Section 6(a) of Public Law 110, 81st Congress, which reads:

"Sums transferred to the Agency in accordance with this paragraph may be expended for the purposes and under the authority of this Act without regard to limitations of appropriations from which transferred".

It was Mr. Mason's view that among the limitations on the appropriations, referred to in the quoted language, was the restriction that the funds were specifically appropriated by the Congress for use during a stated year. Mr. Mason felt that the quoted language from Section 6(a) might be sufficiently broad to remove this limitation upon these funds, in addition to any others imposed by the appropriation, when these funds were transferred to CIA. I indicated to Mr. Mason that we believed the language in Section 6(a) to have been included expressly for the purpose of exempting CIA from any provisions in the appropriation which might otherwise restrict the use of the funds to specific purposes. For instance, the appropriation might read that not to exceed a certain amount was made available in another department's appropriation for "personal services". If this appropriation were destined for use by CIA, CIA would in no way be bound to use these funds for personal services. I told Mr. Mason that I felt, as a legal matter, that in spite of the fact that the language in Section 6(a) appeared to have been included for this more limited purpose, it would not necessarily be conclusive of the question whether the language could be more broadly construed to establish a legal basis for his proposal. I informed Mr. Mason that we would like to go into this

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question somewhat further in order to assure ourselves that the language was sufficient to accomplish what he wanted.

3. Mr. Mason ventured the thought that implementation of his idea would require the concurrence of the Bureau of the Budget, GAO and the Appropriations Committees of both Houses of Congress. You will recall that you felt very strongly that Congressional approval was necessary. Mr. Mason felt that a very opportune moment was now available to present this proposal to the Congressional Committees in view of their drive to realize appropriation economies even where those economies are only on paper. He also felt certain that he could obtain Budget and GAO approval.

4. In discussing the substance of the subject staff study we directed our attention primarily to the conclusions reached in paragraph 4. We agreed that those conclusions could be better grouped to indicate that the paramount reason for Mr. Mason's entire proposal was the improvement of the security aspects of CIA's major financial transactions. The arguments of reduction in governmental appropriations, expenditures and receipts would be really of secondary importance to make the proposal more palatable to Congress and Budget.

5. The essence of Mr. Mason's idea is that rather than having to cover unexpended appropriations, including the reserve fund, into Treasury at the close of the fiscal year, CIA would be permitted to retain these funds, thus making it necessary for the Agency to request an additional appropriation for the ensuing fiscal year of a relatively small amount. Where this Agency under present practice returns its unexpended appropriations to the Treasury, it must necessarily make an appropriation request for the following year in an amount sufficient to cover anticipated operating costs and the reserve. This increases the overall government appropriation. Furthermore, when CIA draws on any of its funds appropriated to other departments those departments show the transfer of funds to CIA as expenditures, materially increasing the amount of government expenditures. This is in spite of the fact that CIA has not yet obligated or expended this money and may never do so. Where unexpended appropriations are returned to Treasury, they are reflected as receipts, thereby materially increasing Treasury receipts. CIA's unexpended appropriations are covered into miscellaneous receipts at a time of year when overall government receipts are relatively low. On one occasion of which Mr. Mason knows, financial analysts of summary sheets of Treasury receipts spotted one of CIA's transactions almost exactly, although they were unable to identify the purpose for which the sum had been received by Treasury and from whom. Mr. Mason felt that the interest in this transaction was disturbing enough from a security standpoint. Each of the transactions by which this Agency obtains

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and returns its funds may be of major importance because of the dollar volume involved and accordingly attracts attention and invites question. Mr. Mason's approach is that the fewer the number of these transactions the greater the security than can be provided to the sources of CIA funds. He presents a very plausible argument for his proposal.

6. In addition to the above arguments Mr. Mason feels that this Agency, unlike other government activities, is compelled in its dealings with outsiders to conceal the existence of government interest. Accordingly, many commitments must operationally be made without any reference to June 30.

7. The above two arguments are the basis of conclusions a and b. In my opinion, and Mr. Mason agrees, both are affected significantly by conclusion f.

8. I believe Mr. Mason would agree that conclusions c and d are primarily inducements for an economy-minded Congress and Budget Bureau to accept his proposal.

9. The third major division of his argument is that fiscal controls would in no way be affected by his proposals. He agrees that this argument could be more clearly defined and supported. He has not stated any conclusion respecting this aspect.

10. I left it with Mr. Mason that I would discuss the foregoing with you in greater detail. As you have suggested, I have spoken to him about the advisability of supporting his argument with actual figures and of reinforcing his principal thesis by a greater emphasis upon the improvement of security. He would be pleased to discuss figures orally, but hesitates to attach them to the study. He is going to review the whole paper with the above thoughts in mind, and resubmit it to us when revisions have been made.

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OGC/GHK:cd (1 June 1953)

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